



April 3, 2013

Lisa M. Jones
Manager, CDFI Bond Guarantee Program
CDFI Fund, U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Jones:

On behalf of Enterprise Community Partners and Enterprise Community Loan Fund, I appreciate the opportunity to comment on the CDFI Fund's Interim Rule for the CDFI Bond Guarantee Program. The Bond Guarantee Program holds tremendous potential to significantly and positively impact underserved communities and families. Therefore, it is critically important that the program is able to be effectively and efficiently utilized in a safe and sound manner.

For 30 years, Enterprise Community Partners has worked to strengthen communities by bringing together public and private capital to meet local needs, investing over \$11 billion in loans, grants and tax credit equity to create over 300,000 units of affordable housing. Enterprise Community Loan Fund (ECLF), the housing and community facilities lending arm of Enterprise Community Partners, is one of the country's oldest and largest housing CDFIs, with over \$147 million in total assets as of December 31, 2012. Together we have provided innovative financing and solutions to build and preserve affordable housing and revitalize neighborhoods. We have developed robust partnerships with local organizations and stakeholders, and we have also gained extensive expertise with federal programs like the Low-Income Housing Tax Credit and the HOME Investment Partnerships Program.

We see the Bond Guarantee Program as an opportunity for CDFIs to diversify their capital base and access long term capital that is rare in the CDFI industry. We are concerned that the proposed rules as written would make it difficult for organizations to access and efficiently use the funds to support community and economic development. After considerable thought and deliberation, this letter incorporates our revisions and suggestions to enhance the program and provide the necessary flexibility that will ensure that the funds can be put to use in communities across the country while still protecting taxpayers and the federal government.

Credit Enhancement & Collateral

Since no two CDFIs are structured alike, each CDFI should have the ability to negotiate how they meet credit enhancement and loan collateral requirements. The program should allow for a wide range of vehicles to serve as credit enhancement, such as a parent guaranty, letter of credit, and/or additional cash. Additionally, if a CDFI is unable to provide collateral due to the structure of the organization and lender requirements, then the Fund should allow third party credit enhancement to substitute.

We cannot emphasize strongly enough that requiring CDFIs to provide recourse and a first lien on the Secondary Loans with a pledging of the underlying cash flows will be problematic for our other

lenders. For example, ECLF's current lender group of more than 30 lenders has recourse to ECLF, a guaranty from our parent organization and established financial covenants, all of which they view as sufficient protection and therefore do not require assignment of collateral. Therefore, we ask the Fund to consider requiring either recourse or collateral but not both.

Requiring CDFIs to substitute collateral may lead traditional CDFI lenders to believe that the CDFI is "cherry picking" loans for this program, leaving riskier loans in the organization's credit pool. We recommend that as long as the CDFI is current on its bond payments there should be no requirement to substitute collateral.

Risk Share Pool

The proposed rules did not delve deeply into regulations around the risk-share pool, but we want to encourage the Fund to take key provisions under consideration. A CDFI that is sharing in an issuance and has requested a shorter tenor (for example, 10 years) than another CDFI with a longer tenor (for example, 30 years), should not have to subsidize the risk share pool for the other CDFI participant beyond its own tenor. It is not reasonable that a CDFI have its equity tied up past the maturity of its bonds since this would result in the CDFI's equity being unavailable to be reinvested in community development financing activities.

We also recommend that in the event of a default, the Fund allow a reasonable cure period that is comparable to industry standards.

Special Purpose Entity

We believe the regulations should include directives around creating a Special Purpose Entity (SPE). Under the program, CDFIs should be able to set up an SPE in order to deal more efficiently with negative pledge requirements of other investors/lenders. As currently written, pledging hard collateral as security and agreeing to 100 percent recourse debt would either severely limit CDFI participation in the program or breach existing debt relationships with private capital providers. We are confident that the Fund does not intend for the Bond Guarantee Program to displace private capital in the market. Therefore, the program should allow existing affiliates or newly-formed affiliates of Eligible CDFIs, (created solely for the purpose of the program), to be considered Eligible CDFIs.

Further, we recommend that the Fund expedite the process of certification, clearly outline the necessary requirements to meet certification expectations, and allow the track record of the parent CDFI to serve for the new entity.

Bond Draws & Loan Management

CDFIs should be allowed to have bond loans of multiple tenors within one bond issuance. Accordingly, a CDFI should have the ability to draw tranches for different terms with an industry standard three day notice period for draws. The Fund should establish reasonable minimum draw levels to ensure both access to funds when needed and efficiency around the loan management process. The tranches should not be structured to be too cumbersome or costly to manage for both the QI and the CDFI. Ideally, the bond amortization period should not commence until the draw period on the Bond has expired.

Secondary Loan modifications should be allowed and each CDFI should have the ability to make loan modifications without requiring review by the QI. Loan modifications are common practice for CDFIs, particularly given that take-out financing is often delayed due to the fact that permanent financing requirements must be met before funding can occur.

Relending Subaccount

To ease the challenges of asset-liability matching, we recommend a 12-month window to reduce Relending Subaccount balances. The current rule provides only a 6-month period, which is not sufficient time considering all of the constraints and coordination associated with underwriting and closing loans.

The calculation of the Relending Account should equal 10 percent of the bond issuance times 0.97 percent, adjusting for the risk share. For example, the size of relending account for a \$10,000,000 issuance should = $\$10,000,000 * 10\% = \$1,000,000 * .97\% = \$970,000$.

Qualified Issuer

The Fund should allow an affiliate to issue on behalf of a CDFI, after demonstrating there is no conflict of interest. The Fund should also clarify what is required for an affiliate to be the Qualified Issuer (QI) for a CDFI. As industry stakeholders consider their potential roles, an outline of the requirements to meet this test would be enormously useful and would ensure an efficient application process.

Reporting Requirements

The Fund should create reporting requirements for the Bond Guarantee Program in conjunction with existing data collection systems and formulated in collaboration with the CDFI industry. As many mission-driven CDFIs are working with extremely limited time and resources, streamlining the Bond Guarantee Program with the current CDFI Fund Award Compliance process could significantly reduce the burden of reporting.

This innovative program will provide CDFIs with access to long-term, affordable capital, which will enable Enterprise and other organizations to better support and strengthen low-income communities. We appreciate the opportunity to provide comments.

Thank you for your time and continued commitment to this important issue. If you have any questions, please do not hesitate to contact me at 410-772-2461 or lchatman@enterprisecommunity.org.

Sincerely,



Lori Chatman
President, Enterprise Community Loan Fund